

## Message Text

UNCLASSIFIED

PAGE 01 PARIS 20199 01 OF 02 240237Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
EA-12 FRB-01 INR-10 IO-14 NEA-11 NSAE-00 ICA-20  
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00  
OMB-01 SS-15 STR-07 L-03 DLOS-09 DOE-15 SOE-02  
/160 W

-----035172 240305Z /14

R 240228Z JUN 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 3849

UNCLAS SECTION 01 OF 02 PARIS 20199

USOECD

E.O. 11652: N/A  
TAGS: EFIN, OECD  
SUBJECT: MEETING OF COMMITTEE ON FISCAL AFFAIRS,  
JUNE 21-22, 1978

1. SUMMARY: OECD COMMITTEE ON FISCAL AFFAIRS (CFA)  
HELD SEMIANNUAL MEETING JUNE 21-22 TO GIVE FORMAL  
APPROVAL TO REPORTS OF WORKING PARTIES AND TO DISCUSS  
WIDE RANGE OF TAX ISSUES. DISCUSSIONS COVERED TRANSFER  
PRICING, INDEXING TAX SYSTEMS FOR PRICE INFLATION, TAXA-  
TION OF WEALTH AND CAPITAL GAINS, TAXATION OF SHIPPING  
PROFITS, SEABED MINING, AND DEVELOPMENTS IN COUNTRIES'  
TAX SYSTEMS SINCE JANUARY, 1979. NEXT MEETING OF FULL  
CFA SCHEDULED FOR JANUARY 17-18, 1979. END SUMMARY

2. TAXATION AND MULTINATIONAL ENTERPRISES: FRENCH DEL  
(KERLAN) GAVE PROGRESS REPORT ON WORKING PARTY SIX  
(TAXATION AND MULTINATIONAL ENTERPRISE).REPORT ON TRANS-  
FER PRICING AND SERVICES (CFA(77)15) WAS APPROVED.  
PAPERS ON LOANS, TECHNOLOGY, SERVICES AND GOODS WILL BE  
CONSOLIDATED INTO SINGLE FINAL REPORT. UNITED STATES  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 20199 01 OF 02 240237Z

DEL SUBMITTED DECISION IN RECENT TRANSFER PRICING CASE  
INVOLVING SWISS SUBSIDIARY OF DUPONT FOR DISCUSSION AT  
NEXT MEETING OF WORKING PARTY SIX.

3. INFLATION ACCOUNTING: NETHERLANDS DEL (HOFSTRA)  
PRESENTED REPORT ON NETHERLANDS' SYSTEM FOR INDEXING  
INCOME TAX SYSTEM FOR PRICE INFLATION (CFA(78)3). UNITED

STATES DEL (SUNLEY) COMMENTED ON ISSUE FROM U.S. PERSPECTIVE (DAF/CFA/78.4). DELEGATES FROM NEW ZEALAND, AUSTRALIA, UNITED KINGDOM, AND WEST GERMANY, AS WELL AS OBSERVER FROM INTERNATIONAL MONETARY FUND MADE EXTENSIVE COMMENTS ON THE REASONS FOR, AND PROBLEMS WITH, INDEXATION.

4. DOUBLE TAXATION AND RELATED ACTIVITIES: AUSTRIAN REP (PHILIPP) GAVE PROGRESS REPORT ON REVISION OF OECD MODEL ESTATE AND GIFT TAX TREATY. WORKING PARTY 1 WILL CONSIDER DRAFT ARTICLES AT SEPTEMBER, 1978 MEETING IN LONDON. BELGIAN DELEGATE (BUBLOT) SUMMARIZED PROVISIONS OF RECENTLY NEGOTIATED UNITED KINGDOM-NORWEGIAN PROTOCOL COVERING NORTH SEA OIL INCOME (DAF/CFA/78.3 AND ADDENDUM). ISSUE WILL BE DISCUSSED MORE FULLY AT JANUARY, 1979 CFA MEETING. UNITED STATES REP (ROSENBLOOM) GAVE QUOTE PROGRESS UNQUOTE REPORT ON UNESCO COPYRIGHT CONFERENCE NOW IN PROGRESS IN PARIS.

5. SOCIAL AND STATISTICAL ASPECTS OF TAXATION: UNITED KINGDOM DEL (GONZALEZ) SUMMARIZED WORK OF WORKING PARTY TWO ON SOCIAL AND STATISTICAL ASPECTS OF TAXATION. WORKING PARTY REPORT ON TAXATION OF NET WEALTH, CAPITAL TRANSFERS AND CAPITAL GAINS (DOCUMENT CFA(78)5) WAS APPROVED. IRISH DELEGATE (RICHARDSON) SUMMARIZED CHANGES IN CAPITAL TAXATION IN IRELAND (DAF/CFA/78.6)  
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 20199 01 OF 02 240237Z

INCLUDING ELIMINATION OF WEALTH TAX AND LIBERALIZATION OF TAXATION OF CAPITAL GAINS.

6. TAX AVOIDANCE AND EVASION: PROGRESS OF WORKING PARTY 8 (TAX AVOIDANCE AND EVASION) WAS DESCRIBED BY NETHERLANDS DEL (WESTER-BURGEN). NOVEMBER, 1978 MEETING SCHEDULED IN CONNECTION WITH NOVEMBER 14-15 MEETING OF WORKING PARTY TO DISCUSS TECHNIQUES OF SELECTION OF RETURNS FOR AUDIT. FRANCE DEL (KERLAN) INDICATED THAT THE WRECK OF THE "AMOCO CADIZ" HAD INCREASED FRENCH GOVERNMENT CONCERN OVER USE OF FLAGS OF CONVENIENCE. FRENCH GOVERNMENT IS CONSIDERING SPECIAL TAX ON FRENCH SOURCE SHIPPING INCOME, APPLICABLE ONLY TO SHIPS OWNED BY RESIDENTS OF COUNTRIES WITH WHOM FRANCE HAS NO TAX TREATY (E.G., LIBERIA, PANAMA). REPORT ON TAXATION OF

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 20199 02 OF 02 240242Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
EA-12 FRB-01 INR-10 IO-14 NEA-11 NSAE-00 ICA-20  
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00  
OMB-01 SS-15 STR-07 L-03 DLOS-09 DOE-15 SOE-02  
/160 W

-----035219 240305Z /14

R 240228Z JUN 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 3850

UNCLAS SECTION 02 OF 02 PARIS 20199

SHIPPING PROFITS (CFA(78)1) WAS APPROVED AND WILL BE  
REFERRED TO OECD MARITIME TRANSPORT COMMITTEE. EURO-  
PEAN DELEGATES GENERALLY OPPOSED TO NEW STUDY BY COUNCIL  
OF EUROPE TO STUDY TAX AVOIDANCE AND EVASION PRINCIPALLY  
ON BASIS THAT IT PARALLELS AND DUPLICATES WORK OF CFA.

7. LAW OF THE SEA: UNITED STATES DEL (HORST) SUMMARIZED  
DEVELOPMENTS AT UNITED NATIONS LAW OF THE SEA CONFERENCE,  
INCLUDING FINANCIAL ARRANGEMENTS BETWEEN PRIVATE SEABED  
MINERS AND PROPOSED INTERNATIONAL SEABED RESOURCES  
AUTHORITY. CFA SET SECOND MEETING OF AD HOC GROUP (SEE  
DOCUMENTS CFA(78)2 AND DAF/CFA/78.7) FOR JULY 6, 1978.

8. RECENT TAX DEVELOPMENTS: UNITED STATES DELEGATE  
(SUNLEY) GAVE WIDE-RANGING REVIEW OF U.S. TAX DEVELOP-  
MENTS. WEST GERMAN DEL (MENCK) REVIEWED STATUS OF  
GERMAN TREATY NEGOTIATIONS AND NOTED U.S.-GERMAN NEGOTI-  
ATIONS SCHEDULED FOR AUTUMN, 1978. DANISH DEL (MOLLEA)  
DESCRIBED TAXES RECENTLY ASSESSED ON FOREIGN-OWNED OIL  
COMPANIES. NETHERLANDS DEL (WESTER-BURGEN) DESCRIBED  
NEW TAX SUBSIDY TO STIMULATE CAPITAL FORMATION.  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 20199 02 OF 02 240242Z

SALZMAN

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BUDGETS, COMMITTEE MEETINGS, TAXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978PARIS20199  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780263-0338  
**Format:** TEL  
**From:** PARIS USOECD  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780623/aaaaatwe.tel  
**Line Count:** 167  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 57391782-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 29 mar 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2219139  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MEETING OF COMMITTEE ON FISCAL AFFAIRS, JUNE 21-22, 1978  
**TAGS:** EFIN, OECD  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/57391782-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014